

Fourth Meeting of State Financial Inclusion Forum (SFIF), Uttar Pradesh

14th July, 2015

Hotel Golden Tulip Inn, Lucknow



Organized Under:

Poorest States Inclusive Growth (PSIG) programme



4th State Financial Inclusion Forum (SFIF) Meeting, Uttar Pradesh

Key Theme: “Business Correspondent model- Strengths, constraints and opportunities ahead”

Date: 14th July 2015, Time: 10:30 AM – 2.30 PM

Venue: Hotel Golden Tulip Inn, Lucknow

Proceedings of the meeting

SIDBI in partnership with Department for International Development (DFID), UK, is implementing a bilateral project titled “Poorest States Inclusive Growth (PSIG)” programme. The programme aims at to facilitate better access to financial services by the poor and to promote pro-poor investments in India’s four poor states viz. Uttar Pradesh, Bihar, Odhisa, and Madhya Pradesh. The key mandate of the programme as earlier said is to improve access to both financial as well as non-financial services (savings, credit, insurance, pension, remittance, mobile banking etc) for poor people and to strengthen the institutional framework so as to help the poor in improving their income and quality of life through multifarious initiatives.

While SIDBI is the implementing agency for PSIG, ACCESS-ASSIST has been assigned as Secretariat to coordinate the initiatives on policy advocacy in the above four states as well as at the national level. Setting up of multi-stakeholder State Financial Inclusion Forum (SFIF) in each focus state has been agreed as one of the key mechanisms to achieve the objectives under the policy advocacy component. The SFIF is expected to act as an exchange and deliberation Forum to promote effective coordination and synergy among various stakeholders for accelerating the process of financial inclusion in the state. The fourth meeting of the UP SFIF was organized on 14th July at Hotel Golden Tulip, Lucknow.

The Business Correspondent (BC) model has the potential to effectively serve unbanked and underserved population. In India, BC model of banking is being tested as a way to incorporate the unbanked into mainstream financial services. A BC is an entity that acts as a teller for the bank and carries out a range of transactions on behalf of the bank and is paid commissions for the services provided. In Uttar Pradesh, out of 1, 07,753 villages, total 22,622 villages have fixed BCs and in 23,247 villages BCs visit weekly/fortnightly.¹ The coverage in terms of number may not be satisfactory considering the efforts put in by various stakeholders such as banks, RBI, government etc. in the last one decade to reach the last mile. Therefore, financial inclusion forms the core part of government’s development strategy which is evident from recent launch of several social security schemes. The primary challenge is how these financial services can be provided to large number of remote settlements at an affordable cost. Business Correspondent Model using ICT has been used widely to make financial services available to the remotest village. In 4th SFIF, the agenda was to encourage service provider to offer an array of financial services particularly by layering saving services on top of the existing infrastructure such that only marginal cost are incurred which can be cross subsidized.

SUMMARY OF PROCEEDINGS

As proposed by the members of SFIF the 4th SFIF meeting was organized on the theme of “**Business Correspondent model- Strengths, constraints and opportunities ahead**”. Besides the members, key officials from Microsave, MFIN, SEBI, BCFI, UPSRLM, Banks, MFIs, NGOs etc participated in the meeting. The list of participants is provided in **Annexure1**.

- 1. Opening Remarks by Shri S Ramakrishnan, CGM, SIDBI:** Shri Ramakrishnan, CGM, SIDBI appreciated the forum, and emphasized Financial inclusion being the need of the hour to bring everyone in the purview of formal financial sector. The SFIF is active in addressing issues of policy and bringing out relevant topics of discussion in four PSIG states. All the financial services are very crucial for people and BC being the replica of banks stands as the pillars of financial inclusion in the remote areas. He emphasized that while discussing about the Banking Correspondents, the forum should discuss the

¹ SLBC report and Uttar Pradesh Village Directory <http://vlist.in/state/09.html>

ground level challenges and propose suggestions to address them effectively .He stressed upon working together with all the stakeholders to achieve the common goal of financial inclusion.

1. **Action Update from the 3rd SFIF Meeting**

Access Assist in the form of a brief presentation updated all the members on the action taken from the last SFIF meeting i.e.

- a) As our action point from last SFIF meeting we shared the meeting proceedings with PFRDA and highlighted the key policy issues faced by the aggregators in UP. A sensitization workshop on Atal pension Yojna was proposed for bankers & aggregators and we plan to conduct in the month of August.
- b) A two day exposure visit for UP based RRB officials to Cashpor Micro credit on Credit & Savings based cost effective BC model was organized in Varanasi in which 6 RRB's participated out of 7 present in UP. The programme planned had a day of classroom session and field visits.
- c) The forum was also informed about "Dipstick study on Financial Literacy Centre's- Status, Constraints and Way forward" which is being conducted in all the 4 PSIG states by ACCESS-ASSIST. In UP six FLCs will be studied which will include FLCs of a RRB and rest PSU banks. Field testing of tools has been done and study is being carried out. Report of the study will be ready by August and will be shared in next SFIF meeting.
- d) We also shared the upcoming initiatives which we are trying to work with two major stakeholders Nabard & UPSRLM which includes a study to identify the low SHG bank linkage & low recovery rate of SHG's.

"Business Correspondent model in Bihar- constraints and way forward, study by MicroSave

Under the mandate of PSIG, MicroSave had conducted a study on "Business Correspondent Models in Bihar- Constraints and Way Forward" to improve the current body of knowledge around the status of the BC model in Bihar and provide recommendations to improve its effectiveness. The main objectives of the study were to understand the status of the Bank-BC channel; opportunities and key constraints in Bihar; identify and assess successful models/institutions in terms of their institutional strength and weaknesses to achieve scale and sustainability; document critical success factors to identify outreach, business volume, and revenue related issues that contribute to success or failure; and comment on both agent economics and bank economics. Detailed institutional assessments were carried out for four identified Banking Correspondent Network Managers (BCNMs).

Major Recommendations from the study-

- Ensure sustainability of the CSPs - Paying reasonable (3.14% fee was recommended by Nandan Nilekani headed committee for DBT transfers), adequate and timely commissions to agents, and expanding the range of products that BCNMs can offer. Commission research studies for arriving at viable costing and pricing of BCNMs and CSPs.
- Enhance internal buy-in for BCs amongst banks and bank staff - Low value transactions can be outsourced to CSPs. Banks should incentivise staff to leverage BC channel, wherever possible.
- Building trust in BCs as an alternate but legitimate channel –Mass awareness campaigns and standardised messaging for CSPs should be developed. Banks should promote customer referrals from branches and develop standardised marketing collateral. BCNMs should reduce churn of CSPs, ensure stability of technology platform and establish adequate liquidity management systems.
- Improve account activity and float – Regulators to consider interoperability across BCNMs, raising limits on quantum of transactions and investing in financial literacy initiatives by conducting below the line (BTL) marketing activities.
- Enhance operational control and monitoring - Bank to appoint dedicated field resources to manage and

- supervise the BC channel and ensure regular visit to CSPs by bank staff.
- Establish better support systems – Certain support systems are vital such as cash in transit insurance, dedicated complaint resolution mechanism and ensure that the Technical Service Providers (TSPs) are available for complaint resolution.
- Standardise Client / CSP protection systems –This practise is not same across the Banks, BCNMs and the CSPs. It should be standardised and banks should take responsibility for all protection related aspects (Training, Liquidity, Fraud & Risk, Marketing / Pricing Collateral, etc.)
- Improve the attractiveness of the FI sector for potential investors - Connecting social investors, introducing tax breaks/holidays for BCNMs and increasing product portfolio offered through BC channel can enhance sector attractiveness.

2. Cashpor – Cost-effective BC model:

Cashpor is a BC for three major Banks viz. ICICI, IDBI & IndusInd bank to provide better and low cost services to the poor. The services are delivered with support from the technology partner, Eko India Financial Services Private Limited (Eko)'s mobile-enabled system in coordination with Cashpor's 318 BC branches and Bank's back-office. Cashpor has used its existing branches and infrastructure to deliver saving services. The center managers also act as CSPs. These CSPs need to undergo a verification process to be empanelled with the bank. Cashpor customers can open their NFA and make deposits and withdrawals during weekly center meetings, which are facilitated by the center managers (empanelled CSPs) using the mobile devices. The savings service is offered at 188 branches in 7 out of 14 regions where Cashpor operates.

Bank Sakhi Model- RGMVP:

- Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP) is one of the biggest stakeholders in terms of SHG penetration in the state. More than 4,800 Bank Sakhis in more than 265 blocks of UP are supporting 12.5 lakh SHGs with the corpus of approx. 70 crore. The Bank Sakhi performs a number of activities such as organizing SHG meetings, helping SHGs in book keeping, maintaining record of transaction as CSPs, supporting SHG members to open SHG /personal account, grading of SHGs, credit Link SHG to bank for credit, supporting banks for repayment and in selling other financial product and creating awareness about banking services among SHGs. Two year experiment on "SHG member as potential BC" was piloted in two blocks - Sumerpur and Hasanganj of Unnao district. Total 50 Bank Sakhis piloted (27 from Sumerpur and 23 from Hasanganj) started working with Grameen Bank of Aryavrat as CSPs. The pilot resulted into tangible outcomes with Bank Sakhi performance showing better results than other CSPs of Aryavrat Bank. The Grameen Bank of Aryavrat is looking forward to further expand their area of operation with RGMVP on this model. Bank Sakhi from RGMVP also shared their experience on coming out of household being woman. They appreciated bank as being bank sakhi helped them believe in themselves and also motivated other women to open accounts, learn about transactions and become financially independent.

3. Key Discussion points:- Issues & Suggestions

Key Issues:

- BC's are reaching out the areas where brick and mortar branch cannot reach. But the quality of BC's still remains a challenge and was raised by all bankers.
- Remuneration of BC was the major point of discussion. An average wage of an unskilled worker in India is Rs. 7,500 pm where as that of a BC is fixed at Rs. 5000 per month only, and this payment is also done only by fulfilling certain conditions laid out by banks. Appropriate incentives to BCs for mobilizing transactions in inoperative accounts, maintenance of average balance, enrolments in the insurance and pension schemes should be formulated and implemented.

- Another issue which holds importance is technology & its outreach. Most of the ATM's print in English which makes it difficult for a villager to understand. It will be a lot easier for people to understand if the receipt can be available in vernacular language.
- BCs need to invest a sizeable amount in setting up a kiosk (like space, furniture, hardware, initial security deposit) depending on bank guidelines. Due to lack of guidelines Banks are not able to provide the infrastructure for BC's which they need to manage on their own.
- The members also raised their concern on the costs and risks involved in cash management which are entirely and unfairly borne by the BC or its agents with little or no contribution from the bank.
- The forum advocated that BC agenda need to be raised at SLBC meetings. SLBC also updated the forum about training to the trainers for BC & Bank Mitra on Aadhar seeding & RuPay card transaction.
- Bankers also raised their concern on the multiple zero balance accounts opened under PMJDY but remain inactive.
- Bankers shared the involvement of third party by the Corporate BC - Once the work is assigned to any company it is further contracted to a local BC at state level. This leads of discontinuity in case of ending of the sub-contracts, hampers trust of clients and quality of delivery of services.

Way Forward & Suggestions:

- The PSU banks should make financial inclusion an integral part of their business plan and the performance metrics should be published similar to other metrics related to bank performance. Financial inclusion should be seen and conducted as mainstream business of banks rather than compliance and the Department of Financial Services should drive this change.
- Promotion and advocacy is required for attracting private equity investments in BC companies. This is crucial for growth and scaling up of the channel
- A clear policy is required from RBI to maintain minimum remuneration to BCs.
- Capacity building & training of CSP's was recommended by all the forum members. Adequate training for BCs capacity building will help them to groom them, increase their knowledge & will also build their interpersonal skills which will add to the trust of the clients.
- Bankers also proposed that BC appointment to be done through central or HO level for quality assurance instead at regional level.
- Branding of BC is a very vital part of the system which needs to be adapted by all the banks so that public can relate a BC with a Bank. A uniform (jacket/ cap) and standardized financial literacy material could help create BC brand image in rural areas.
- De-duplication of accounts should be done so that that the bankers do not bear the burden of inactive accounts under PMJDY.
- The training infrastructure of Bankers Institute of Rural Development (BIRD) available at Lucknow can be utilized for capacity building and training initiatives.
- Financial literacy is most vital ingredient for the success of any social security scheme. As BC is part of villages BC should be trained product specific so that they are able to deliver specific services/products to clients on the basis of their needs and priority. This will help increase the awareness among clients and may stop duplicity in services and products.

Action to be taken

The meeting concluded with following action points which could be pursued under PSIG by the SFIF secretariat:

- Compile capacity building and training modules, materials and systems followed by all banks and BCNMs and

- prepare a report of existing gaps in the training inputs provided to BC agents/ CSPs.
- Share the report with stakeholders involved in development of the certification of BCs and standard modules for BC training
- Form an informal forum of BC and banks with SLBC participation to discuss the operational issues related to BC in the state.
- To advocate for build a mechanism to raise *the issues of MFIs in the SLBC meetings* and recognition of MFIs' role in Financial Inclusion in the State. MFIs are playing an important role and can further play a major role in the context of Jan Dhan Yojna in the State.

4. Next Meeting –

Next meeting of SFIF will be organized in the month of October. The key theme to be addressed will be **“Financial Literacy”**.

5. Vote of Thanks:-

The Vote of Thanks was proposed by Shri. Utpal Chakraborty, Director – PSIG, SIDBI, UP. He thanked all the SFIF participants & presenters for their whole hearted participation and providing suggestions. He emphasized to take up the issues discussed with regulatory authorities to work on strategies and come up with solutions.

ANNEXURE 1

S.N	Name	Designation	Organization Name
1.	Shri S. Mohan Kumar	Chief Manager, Zonal Office	Indian Bank
2.	Shri Surya Prakash Pal	Assistant Manager, Zonal Office	Indian Bank
3.	Shri M. N. Srivastava	Sr. Manager , Zonal Office	Bank of Baroda
4.	Shri R. N. Chaturvedi	Deputy General Manager, Local Head Office	State Bank of India
5.	ShriAnoop Kumar	Chief Manager, Regional Office	Allahabad Bank
6.	ShriMotilal	Sr. Manager, Regional Office	Union Bank of India
7.	Shri Mukesh Vaish	Manager, Zonal Office	Punjab National Bank
8.	Shri Romesh Agarwal	Manager, Zonal Office	Oriental Bank of Commerce
9.	Shri K. S. Rao	Assistant General Manager	Syndicate Bank
10.	Shri R. P. Verma	Sr. Manager, Head Office	Gramin Bank of Aryawat, Lucknow
11.	Shri Rajiv Singh	Sr. Manager, Head Office	Allahabad UP Gramin Bank, Banda
12.	Shri P. K. Srivastav	Chief Manager, Head Office	Kashi GomtiGramin Bank, Varanasi
13.	Shri Akhilesh Mehrooa	Sr. Manager, Head Office	Sarva UP Gramin Bank, Meerut
14.	Shri S. Ramakrishnan	Chief General Manger, Head Office	Small Industrial Development Bank of India (SIDBI)
15.	Shri S. N. Singh	General Manager, Head Office	SIDBI
16.	Shri Surendra Srivastava	Deputy General Manager, Head Office	SIDBI
17.	Smt Veena Padia		SIDBI – PSIG
18.	Shri Utpal Chakraborty	Director- PSIG	SIDBI

19.	Shri Amar N. Gupta	Assistant Manager, Head Office	SIDBI
20.	Smt Silk Smita	Sr. Manager, SLBC	State Level Banker Committee (SLBC)
21.	Shri A. K. Singh	General Manager	NABARD
22.	Shri D. V. Deshpandey	Director	Banker Institute of Rural Development (BIRD)
23.	Dr. Dharendra Kumar	Deputy General Manager	BIRD
24.	Shri Kshitiz Singh	Assistant General Manager	Reserve Bank of India
25.	Shri Rajesh Khanger	Manager	Reserve Bank of India
26.	Shri Amol Saxena	Associate Vice President	Yes Bank
27.	Shri Naveen Sharma	Assistant General Manager	Securities & Exchange Board of India (SEBI)
28.	Shri J. S. Chandra	Divisional Manager	Life Insurance Corporation of India
29.	Shri I. B. Singh	Manager (P & S)	Life Insurance Corporation of India
30.	Smt Ragini B. Chaudhry	Advisor	The Department of International Development (DFID), UKAid
31.	Smt Sunitha Raweaswami	SDA	DFID, UKAid
32.	Shri Vipin Sharma	Chief Executive Officer	Access Development Services
33.	Smt Radhika Aghashe	Executive Director	Access Assist
34.	MsPriyankaPathak	Manager	Access Assist, PSIG-UP
35.	Shri Mohammad Azhar	Sr. Project Coordinator	Access Assist, PSIG-UP
36.	Shri. Ritesh Dhawan	Manager	Microsave
37.	Shri Mrinal Pant	Regional Coordinator	Microfinance Institution Network (MFIN)
38.	Prof. SaurindraBhattacharjee	Professor	Indian Institute of Management (IIM)-Lucknow
39.	Shri Om PrakashChaturvedi	State Project Manager	Uttar Pradesh State Livelihood Mission (UPSRLM)
40.	Shri Salman Haider	Mission Executive	Uttar Pradesh State Livelihood Mission (UPSRLM)
41.	Shri Anand Srivastav	Chairman	Business Correspondent Federation of India (BCFI)
42.	Shri Gyan Prakash	Chief Executive Officer	Uttar Pradesh Microfinance Association (UPMA)
43.	Shri Sudhir Sinha	Project Coordinator	UPMA
44.	Shri Anup Kumar Singh	MD & CEO	Sonata Finance Pvt. Ltd.
45.	Shri Anil Gupta	Division Head	Sonata Finance Pvt. Ltd.
46.	Shri S.K. Bhargava	Chief Financial Advisor	Sonata Finance Pvt. Ltd.
47.	ShriIndraDeoPandey	Associate Vice President	Utkarsh Micro Finance Pvt. Ltd.
48.	Shri Dhananjay Singh	Project Manager – BC Relation	CASHPOR Micro Credit

49.	Shri Sumanyu Agarwal	Program Manager – Micro Pension	CASHPOR Micro Credit
50.	Shri Santosh Kulshreshtra	Associate Vice President	Margdarshak
51.	Shri P. S. Mohanan	State Programme Director	Rajiv Gandhi Mahila VikasPariyojana (RGMVP)
52.	Dr. P.L. Yadav	Sr. Programme Consultant	RGMVP
53.	Shri Anoop Narayan	Programme Officer - FI	RGMVP
54.	Smt Anita Yadav	Sr. Programme Officer	RGMVP
55.	Shri Bhupendra Singh	Assistant - Financial Inclusion	RGMVP
56.	Smt Suman Singh	Bank Sakhi	RGMVP
57.	Smt Raj Kumari	Bank Sakhi	RGMVP
